LEGACY HEALTH SYSTEM

FINANCE

Policy #: LHS.400.17
Origination Date: 12/94
Last Revision Date: 12/04
Next Review Date: 1/08

LHS Board Approval 12/04

SUBJECT: UNCOMPENSATED SERVICES

OBJECTIVES

1. To establish an objective standard by which to evaluate the appropriateness of adjusting patient care charges.

2. To establish the procedures by which these adjustments will be facilitated, including who is authorized to make adjustment decisions, how adjustments will be reported, and who will be authorized to make decisions regarding exceptions.

3. The provision of medically necessary healthcare should never be delayed based on a patient's ability to pay.

POLICY

1. Philosophy: In keeping with Legacy Health System's mission to create an environment of caring and an atmosphere of responsible service to the community, it is considered not only necessary but also appropriate to make adjustment to patient care charges under certain circumstances. It is not the intent of this policy to restrict this practice, but rather to establish clear guidelines by which to accomplish this task.

2. Definitions: Because adjustments can occur for several reasons, it is necessary to define certain types of adjustments.

   a. Bad debts: A bad debt results from providing services to patients for which payment is expected but not received. If a payment arrangement provides for a patient to pay for all or a portion of the services and the patient does not pay, any amount uncollected after appropriate collection efforts is a bad debt.

   b. Charity Care: Charity care is defined as services provided to patients who are unable to pay based on income level, financial analysis, demographic indicators and/or further healthcare needs based on diagnosis.

   c. Administrative: The charges associated with any services provided in good faith, but which are subsequently adjusted for Patient Relations or risk management reasons.

   d. Payment Adjustment: A payment adjustment may occur when the patient agrees to make immediate or prompt payment in return for a reduction in amount due.

3. Process:

   a. All adjustments of patient care charges requested by Legacy departments outside of Patient Business Services shall be assigned to an appropriate category and approved by persons so designated to make adjustment decisions as outlined in Legacy policy.

   b. All proposed adjustments of patient care charges shall be reduced to writing through completion of the "Request for Uncompensated Services" (Attachment A) and must be approved by the appropriate department manager/director prior to submission to Collection Manager, Patient Business Services.

   c. Final approval will be authorized in accordance with Legacy PBS Receivable Adjustments, authorization and Process, Policy 400.09.

4. Payment Adjustment
   a. Payment adjustment may be made upon request from patient in recognition of prompt payment.
      - Payment within 7 days – 10%
      - Payment within 14 days – 5%

5. Requests for Charity Care (Financial Assistance):

   a. Financial assistance requests may be made by the patient, outside healthcare providers, community or religious groups, social services, family members, and Legacy personnel. Patient Business Services shall maintain on file (and available for reference) an annual "Federal Poverty Guidelines" as published by the Department of Health and Human Services.

      1) Eligibility Considerations for Financial Assistance:

         - Financial assistance is generally secondary to all other financial resources available to the patient including insurance, government programs, third party liability, and personal assets.
         - Full financial assistance will usually be provided to a patient/guarantor with gross family income ≤ 200% of Federal Poverty Guidelines.
         - A patient/guarantor will be given partial financial assistance based on his/her income level up to 400% of Federal Poverty Guidelines. (See Attachment B)
         - Existing liquid assets indicative of resources to pay the patient's bill.
         - Credit report with open lines of credit indicative of resources to pay the patient's bill.
         - Cosmetic and other services that are not medically necessary are not eligible for financial assistance
         - Other catastrophic circumstances may be considered in charity decision
         - Medicaid eligibility within 60 days of service can be proof of indigency
         - Medical Indigency – Evaluate additional circumstance
            - Medical Bills (combined) greater than 1 times annual income
            - Catastrophic Event/Diagnosis
            - Asset Availability

2) Approval

- Patients will be notified of financial assistance by phone or in writing.
- Patients/guarantors may appeal a financial assistance determination by providing additional information such as income verification or an explanation of extenuating circumstances to the patient account collection manager within 30 days of receiving notification. The patient account manager and director will review all appeals. The patient/guarantor will be notified of the appeals outcome. Collection follow up will be pended during the appeal process.
- Legacy's decision to provide financial assistance in no way affects the patients/guarantors financial obligation to their physician or other health care providers. However, we will work with other providers to provide them with whatever information we can to assist them with processing the account.

Approvals: CFO Council, 2/04
President's Council, 3/04
LHS Board Approved, 12/04
Originator: CFO Council

ATTACHMENT 1

Operating Unit: _____

REQUEST FOR UNCOMPENSATED SERVICES

1. Date of Request: _____

2. Category: _____ Charity _____ Admin _____ Bad Debt

3. Reason for Request: _____

_____

4. Patient's Full Name: _____ DOB _____

Address: _____

_____

5. Medical Record #: _____

6. Admit Date(s) for Which Request is Being Made: _____

7. Account Number: _____

8. _____ _____
Printed Name of Requestor Signature

_____
Requestor's Phone Number

9. Action: _____ Approved _____ Not Approved

_____ _____
Signature Title Date

ATTACHMENT B

Sliding Fee Schedule	
Income as a Percentage of Federal Poverty Level	**Financial Assistance Adjustment Percent**
0-200%	100%
201-225%	90%
226-250%	80%
251-275%	70%
276-300%	60%
301-325%	50%
326-350%	40%
351-375%	30%
376-400%	25%

LEGACY HEALTH SYSTEM

Procedure #:	**PBS-002.doc**
Effective Date:	**11/01/94**
Last Revision Date:	**08/25/2005**

Subject: **Self Pay: Collection and Follow-up**

Object: To provide maximum medical care for the community and surrounding areas yet maintaining patient business relations with maximum reimbursement of Legacy Health System Hospitals accounts receivables

To establish financial arrangements and financial assistance for patients based on their ability to pay and taking all steps possible to establish a financial arrangement with the patient that meets their needs while still maintaining the financial viability of LHS.

To ensure that those patients unable to pay for health care services are made aware of LHS' charity care policies.

Minimum Necessary Guidelines: When using, disclosing or requesting Protected Health Information (PHI) from another covered entity, we will make reasonable efforts to limit Protected Health Information to the minimum necessary to accomplish the intended purpose of the use, disclosure or request. When in doubt, please refer to policy # LHS 700.15.

Use & Disclosure Guidelines: Except for the uses and disclosures in connection with payment, treatment or health care operation or as permitted by LHS' policies and procedures, Legacy will not use or disclose Protected Health Information (PHI) without a valid patient authorization. When in doubt, please refer to policy # 700.18.

Patient Rights Guidelines: The patient has the right to:

- receive PHI communication (i.e. Designated Record Set) by alternative means
- inspect and or obtain a copy of PHI
- request restrictions
- obtain paper copy of the privacy notice
- obtain an accounting of disclosures

When in doubt, please refer to policy # LHS 700.16

Patient or Guarantor Identifiers: To enable collectors to identify the caller by a minimum of two of the following:

- Birth date of patient and/or guarantor
- Social security number of patient and/or guarantor
- Street address, zip code telephone number (including area code)
- Account number
- Admit/discharge date
- Expiration date of patient
- ID#and/or group number of insured

PROCEDURE:

A. Self Pay Accounts:

1. Work data mailer reports daily.
   a) Calls should be returned within 24 working hours.
   b) If patient needs an interpreter, place conference call to Interpreter Services to assist patient in resolving account or for Spanish, refer to appropriate financial counselor.

2. Check all accounts for outstanding balances and read all account notes. Refer to appropriate level to coordinate with high dollar accounts.
   a) May consolidate accounts to oldest account with balance owing after request/ agreement with patient/ guarantor only for budget plans (three equal payments).
   b) If partial payment received and the remaining balance does not justify a three equal payment plan, send the partial payment letter with completed Healthcare Credit Agreement (Accent Contract) to patient.
   c) Medicare accounts $100.00 and greater without supplemental insurance listed, send the Medicare supplemental insurance request letter and a financial statement to the patient.

3. Payment Arrangement Options:
   a) Paid in full within 7 days – 10% prompt pay discount. Paid in full within 14 days – 5% prompt pay discount, if requested by patient.
   b) Three equal monthly payments (interest free).
   c) Multiple Payment Plan/Healthcare Credit Agreement (Accent 12% annual). Accent, Inc.:
      4520 S.E. Belmont, Suite 280
      P.O. Box 14866
      Portland, OR 97214-0866
      Phone# (503) 236-6225
      Fax # (503) 230-1135
4. Key Points:
   a) List medical record number first followed by each account number assigned to contract as well as the guarantor name.
   b) The standard annual interest rate is **12%.**
   c) If the balance was reduced based on the financial statement review, no interest will be applied.
   d) Document Financial Service Representative's initials on the upper left hand corner.
   e) Mail appropriate documents to responsible party highlighting areas to be signed and dated, when it will need to be returned and contract agreed amount (if Accent).

f) Daily, Accent will fax a list to the appropriate financial counselor listing agreements/contracts received. Accounts will be coded with "**9425**" as the insurance carrier/financial class and written off to adjustment code "**028**." The designated collector will complete the adjustment.
g) To add additional accounts to existing accounts at Accent, complete online "Accent Combo Log". Please verify that the account you are combining to is still active with Accent.
h) Payment plan (three equal payments) must be set into the "A" track by entering "**PA**" in the data mailer message field and adding **0008** as insurance carrier/financial class.
i) SMS will send out data mailer "**S1**" after first missed payment. If patient calls regarding bringing account current and agreement approved, then notate system and reset data mailer to "**A**" track.

B. Self-Pay Account, Insurance After the Fact:

1. Select the appropriate insurance carrier code. Over ride insurance address if insurance card shows different. Setup for billing thru ACTS. (See procedure **PBS150**.)

C. Financial Assistance: (See Uncompensated Services Policy 400.17)

1. LHS' charity care policy shall be made publicly available to all patients. LHS shall post signs in all of its admitting areas stating that it is committed to providing services to all people regardless of ability to pay. These signs shall be in English, Spanish and other appropriate languages. LHS' Conditions of Patient Registration and patient billing statements shall state that financial assistance may be available, and give the phone number to contact a financial service representative for more information.
2. Financial assistance may be initiated by an outside health care provider, community and religious affiliates, physicians, social services, LHS departments/ employees, patient/family members or identified by the financial counselor (**9437** or **04xx**).
   a) Review all patient account notes and patient/guarantor documentation for financial review.
   b) Review financial statement in relation to Federal Poverty Guidelines. For those at or below 200% of guidelines, full assistance may be available. Those over 200% of guidelines may be eligible for a partial reduction based on a sliding scale.

Sliding Fee Schedule	
Income as a Percentage of Federal Poverty Level	**Financial Assistance Adjustment Percent**
0-200%	100%
201-225%	90%
226-250%	80%
251-275%	70%
276-300%	60%
301-325%	50%
326-350%	40%
351-375%	30%
376-400%	25%

c) **Cosmetic** and other services that are **not** medically necessary are not eligible for financial assistance.
d) Document account notes including "T" notes with approved or denied status. Include determination formula. (Example: family 2, annual household income $10,000, eligible for 100% one time financial assistance).
e) If partial approval based on sliding scale, document account notes with the percentage of reduction patient qualifies for, include determination formula as above, and patient responsibility. Document anticipated payment arrangement. (Example: Accent with no interest, three equal payments or payment in full by credit card).

D. Additional Considerations for Financial Assistance:

1. Patients with catastrophic occurrence may qualify for financial assistance. A completed financial statement including proof of income is required to make a determination in such cases.
2. For patients deemed OHP eligible within 1-60 days from patient's date of service at LHS, a financial statement is not required. Document account notes accordingly.
3. **May also qualify based on social or demographic indicators**.
   a) Some students may qualify for assistance based on "Pell Grants" if they are a full-time college student. If they are claimed as a dependent by their parents, you may review based on parents income level.
   b) If patient is a non-resident with native country, please check for sponsorship. Sponsors are responsible to carry health insurance on the student.

E. Processing Accounts for Financial Assistance:

1. Obtain financial statement and required documentation.
   a) Complete adjustment form, attach financial statement, hardcopy ledger, and all required documentation and give to appropriate management based on the adjustment matrix for approval.
2. Upon approval or denial, notify the patient by phone or letter. Document account notes.
3. Submit the adjustment form and forward the financial statement to correspondence for filing.
4. Incomplete financial statements may be denied and returned to the patient requesting additional information.
5. Any patient initially determined to meet the charity care criteria shall be provided 20 days to complete the financial assistance application.
6. Patients may appeal a financial assistance determination by providing additional information such as income verification or an explanation of extenuating circumstances to the patient account manager within 30 days of receiving notification. The patient account manager and director will review all appeals. The patient/guarantor will be notified of the appeals outcome. Collection follow up will be pended during the appeal process.

REQUIRED DOCUMENTATION	ACCOUNT BALANCE
Current financial statement (form provided by facility)	Any dollar amount
Proof of income from previous three months, last tax return	>$500
Current bank statement	>$2,500
Credit report	>$2,500

F. Financial Assistance Procedure for State of Washington Facilities

1. Any patient initially determined to meet the financial assistance criteria will be provided 20 days to complete the financial assistance application.
   a) Collection efforts will cease during this time.
   b) When it is determined that a patient may qualify for financial assistance Legacy Salmon Creek Hospital will not ask for a deposit.
   c) If the patient pays all or a portion of charges and it is later determined they met the charity care criteria, the excess money will be refunded to the patient within 30 days of the financial assistance designation.
   d) A refund request will be sent to the refund team at the time the adjustment is submitted when approval is determined to meet this requirement.
   e) Upon receipt of the completed financial assistance application PBS will make the determination whether the patient qualifies for assistance within 14 days.
      i. When the application needs management approval, the application will be placed in a colored folder indicating determination must be made within the 14-day criteria for Washington State.
   f) If the patient qualifies for partial financial assistance, the patient will be notified of the amount he or she owes. If the patient is denied assistance, the patient will be given the basis for the denial. This will be provided by letter.
      i. When a patient is denied financial assistance, the patient will be notified that he/she has 30 calendar days to request an appeal of our determination. If after 14 days no appeal has been filed, we will continue normal collection efforts up to and including referral to an external collection agency.
      ii. If an appeal is filed, we will cease collection activities until the appeal is finalized. If the final decision denies financial assistance to the patient, we will notify the patient, and the Washington Department of Health.
      iii. Copy of the final denial will be sent to:

      Department of Health
      Center for Health Statistics
      Attn: Lawrence Hettick
      101 Israel Road SE
      P.O. Box 47814
      Olympia, WA 98504-7814

      Fax# 360-753-4135

G. Bankruptcy (filing by patient/guarantor)

1. Chapter 7:
   a) Upon notification from court, the designated collector will:
      i. Notate the date of court notice and case number. File court document in PBS correspondence filing area.
      ii. Write-off balance to **017**-bankruptcy adjustment code, attaching copy of bankruptcy notice to the adjustment form.
      iii. Enter **9418** as the financial class.
      iv. Follow adjustment approval matrix for signature approval.
      v. Send court document copy to ASI for any accounts already at ASI.
2. Chapter 13:
   a) Upon notification from court, the designated collector will:
      i. Notate the date of court notice and case number. File court document in PBS correspondence filing area.
      ii. Accounts greater than $250.00 send to ASI, using **017** as the collector code. Send the court document, detail bill, and account notes to ASI with the bankruptcy notice.
      iii. Accounts less than $250.00 write-off balance to **017**-bankruptcy adjustment code, attaching copy of bankruptcy notice to adjustment form.
      iv. Enter **9418** as the financial class.
      v. Document all actions in account notes.
      vi. Upon receipt of any monies from settlements, reverse write-off and post to account.
3. If an account is pending insurance payment, document the account with the bankruptcy information and enter **9418** as an insurance carrier/financial class. This will prevent statements going out to the patient. Once insurance pays, any patient responsibility will be adjusted or sent to ASI following the above steps.
4. Insurance or employer bankruptcy: (See policy **PBS181)**

H. Estates

1. When notification is received that patient is deceased and there is no spouse the designated collector will: If the account is less than $500.00 write off the balance using **033**-adjustment code. If there is no spouse:
   a) Account balance is $500.00 - $2500.00, send the account to ASI. Enter **9416** insurance carrier/financial class and assign with **014**-collector code.
   b) Accounts greater than $2500.00 are sent to Kurt Maul. Enter **9416** insurance carrier/financial class and adjust the balance using **020**-adjustment code.
   c) If no estate after four months, ASI or Kurt Maul will return for Medicare write-off if Medicare account, or charity write-off, if non-Medicare account.
2. If there is a spouse, collector will work as self pay balance.
   a) If a spouse states there is an estate, send to ASI if balance is less than $2500.00 and to Kurt Maul if balance is greater than $2500.00 following the same steps above.
3. If any insurance/third party payments are pending:
   a) Enter **9426** as the next insurance carrier.
   b) Work estate report following above steps.

I. Third Party Liability:

1. Accounts pending third party liability will be sent to either ASI or Kurt Maul.
   a) If balance is less than $2500.00 send to ASI. Enter **9416** insurance carrier/financial class and assign with **002**-collector code.
   b) If balance is greater than $2500.00 send to Kurt Maul. Enter **9416** insurance carrier/financial class and adjust the balance using **020**-adjustment code. (Send ledger with adjustment sheet. This will be sent to Kurt Maul)

J. Workman Compensation Appeals:

1. Accounts in appeal or litigation will be sent to either ASI or Kurt Maul.
   a) If balance is less than $2500.00 send to ASI. Enter **9416** insurance carrier/financial class and assign with **006**-collector code.
   b) If balance is greater than $2500.00 send to Kurt Maul. Enter **9416** insurance carrier/financial class and adjust the balance using **020**-adjustment code.

K. Bad Debt Referrals:

1. Work FD and P6 reports daily.
2. Review for further follow-up or bad debt referral
   a) Write-off bad debt per adjustment approval matrix.
3. Select accounts to be transferred to collection agency (ASI) on report
   a) Cross-off accounts not selected on report and forward report to A/R Control Representative to keypunch.
   b) For account balance under $25.00, do not send to collection agency. Write-off account to uncollectable (code **033**) per adjustment approval matrix.
4. Select appropriate ASI bad debt code on report
   a) For accounts greater than $499.99, attach hard copy ledger and forward to appropriate approving authority per adjustment approval matrix.
5. ASI Bad Debt Codes:

CODE		DEFINITION				
001	Bad Debt	Unable to collect, needs further collection effort				
002	Legal	Liability issues in question/litigated attorney involvement				
003	Charity	Appears patient may qualify for charity write-off or reduction per financial review process. . Supporting documentation not received or on file, etc.				
004	Medicare	Accounts needing further collection effort/financial review				
006	Workers comp Appeal	Accounts pending worker comp decision on payor liability				
014	Estate	Patient deceased, estate resolution pending				
016	ICP	Emergency psych holds, need further collection effort, involuntary hold.				
017	Bankruptcy	Court document received regarding bankruptcy filed				
018	CSA	Client Service Accounts Lab/LVNA				

6. Note account as to which ASI bad debt code was assigned.

7. Note the reason for cancel and returns i.e. charity determination, write-off, contract adjustment, payment plan, or insurance re-bill.
   a) Forward to appropriate management team member for cancel and return.
   b) Management team members may cancel and return via phone call to ASI hotline or fax.
   c) After cancel and return, process account appropriately. **Adjustments to ASI accounts must be approved by management.**
   d) For cash transfers and refunds on ASI accounts, refer to ASI accounts procedure PBS37.doc
8. The self-pay collector will complete a weekly **Collection Activity On-Line Log** to document weekly productivity.

H. Federal Poverty Guidelines (see chart below)

2005 CHARITY SLIDING SCALE

% of FPG	100%	200%	200%	225%	250%	275%	300%	325%	350%	375%	400%
			Annualized Income								
Family Size	OHP 100%	FPG 200% Monthly Income	LHS Discount 100%	LHS Discount 90%	LHS Discount 80%	LHS Discount 70%	LHS Discount 60%	LHS Discount 50%	LHS Discount 40%	LHS Discount 30%	LHS Discount 25%
1	$9,570	$1,595	$19,140	$21,533	$23,925	$26,318	$28,710	$31,103	$33,495	$35,888	$38,280
2	$12,830	$2,138	$25,660	$28,868	$32,075	$35,283	$38,490	$41,698	$44,905	$48,113	$51,320
3	$16,090	$2,682	$32,180	$36,203	$40,225	$44,248	$48,270	$52,293	$56,315	$60,338	$64, 360
4	$19,350	$3,225	$38,700	$43,538	$48,375	$53,213	$58,050	$62,888	$67,725	$72,563	$77,400
5	$22,610	$3,768	$45,220	$50,873	$56,525	$62,178	$67,830	$73,483	$79,135	$84,788	$90,440
6	$25,870	$4,312	$51,740	$58,208	$64,675	$71,143	$77,610	$84,078	$90,545	$97,013	$103,480
7	$29,130	$4,855	$58,260	$65,543	$72,825	$80,108	$87,390	$94,673	$101,955	$109,238	$116,520
8	$32,390	$5,398	$64,780	$72,878	$80,975	$89,073	$97,170	$105,268	$113,365	$121,463	$129,560
			➢	➢	➢	➢	➢	➢	➢	➢	➢

2005 **$3,260 each additional family member for 9+...**
WebSite: fedpovertyguidelines.com